Professional Builder & Remodeler

THE ONE MAGAZINE [illegible] DIVERSIFIED [illegible]

FEBRUARY 1992

WHOLE HOUSE REMODELING

Updating Classic Homes...76

Finding New Money Sources...14

Making The Most Of Scarce Building Resources...66

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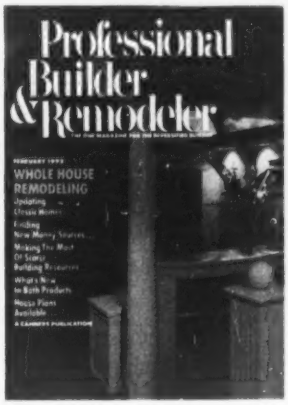
THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER



On The Cover

■ An individualized approach to whole house remodeling is seen here, in a Seattle, Wash., bungalow. A barrel vault in the new second-floor master bedroom is the canvas for a mural by Seattle artist Don Barrie; its subject the owner's six children as infants. Story begins on page 76. Photography by Roger Turk.

Smarter/Better Housing award winner: p. 92.

Resource management: p. 66.

FEATURES

Making The Most Of Building Resources 66

Water, labor, land & lumber: Many industry figures fear the supply of these resources may be dwindling rapidly. Is there cause for alarm? Here's an overview of the problem and some practical advice on how to plan for it.

New Designs Revive Dated Homes 76

Whole house renovation may be likened to custom building: Each home is crafted as an individual expression of style and expertise. The four homes featured here exemplify imaginative approaches to remodeling.

Rein In Costs To Harvest Great Value 92

Phoenix buyers are hungry for high-quality homes at low costs. This month's "Smarter/Better Housing" award winner delivers just that in some cases, including a swimming pool at a below-$100,000 price tag.

Whole house remodeling ideas: p. 76.

New bath products: p. 112.

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Business

■ As the recession and low consumer demand blur perceptions, Washington debates whether there really is a credit crunch. Creative builders are finding new financial lifelines, but the big question remains: will enough money be there when the buyers come back: *p. 14.* During a *PB&R* Round Table, industry professionals provided candid commentary on the problems plaguing the building industry: *p. 20.*

Markets

■ A unique office remodeling posed construction challenges: *p. 37.* A North Carolina builder finds success building one spec home a year: *p. 42.*

Marketing

■ A distinctive "Hollywood-style" set generates traffic at one Colorado-based builder's new-home community: *p. 57.* Landscaping options appeal in a tough market: *p. 60.*

Technology

■ After three years of research & development, a new stock-plan service for *remodelers* is rolling out blueprints: *p. 107.*

Next Month

■ In our March issue, we present the "Giant 100," the housing starts leaders for 1991, plus a look at affordable housing strategies and new trends in kitchen and bath design.

■ REMODELING

How To Get Work From An Architect

By Steven Martindale,
President,
Transferable Systems
Inc. (TSI), Columbia, Md.

It amazes me when I see the negative opponent relationship most remodeling contractors have with architects. Architects can be an economical source of leads for larger remodeling jobs, which have a design flair. These jobs can often win design awards that can then be converted into effective PR through local newspapers.

Negative feelings toward architects often stem from blue-collar pride. Contractors find all the functional mistakes on a blueprint and develop the opinion that any carpenter knows more than any architect.

Architects feel a responsibility to the client to point out quality problems and keep the contractor from charging too much, causing the client to feel that the contractor is trying to get away with things.

A contractor can be a big help to the architect in the design process—pointing out design flaws, cost-efficient methods of construction and helping with ballpark budgets.

Contractors point out obvious design errors and charge for change orders, causing the client to mistrust the architect.

It doesn't have to be this way. A contractor can be a big help to the architect in the design process—pointing out design flaws, cost-efficient methods of construction and helping with ballpark budgets.

When pursuing work with architects, it helps to understand their criteria.

□ Quality craftsmanship: They will check out your references and look at your work. Nothing is worse to the architect than the contractor's inability to complete the project as it was envisioned. Remember, architects are artists who want their art brought to life.

□ Representation of the architect's interest: The architect wants a team player who will minimize hassles, work out conflicts with clients or subs, and make the project look great to the client.

□ Projects on budget: Architects hate change orders they don't initiate. Go over the plans with a fine-tooth comb before the project starts. Be sure details are corrected and measurements are accurate.

□ Projects on time: Schedule the job, write up material lists, and negotiate subcontracts before starting. Charge an administrative fee for change orders. You can't make money on them, and the project loses steam. Help the architect to make changes prior to, rather than during, the project.

When working with architects, keep a few things in mind: 1.) Do other marketing for your bread and butter. Architectural work is sporadic. 2.) Don't take "one-of-a-kind" jobs where details are defined or changed as the project progresses unless they are cost-plus with administrative fees. 3.) Stay away from architects who won't let you make a fair profit.

Export/Import Council To Form Group In Europe

The U.S. Department of Commerce has awarded a $500,000 grant to the American Building Products Export/Import Council to organize the Consortium of American Housing Industries In Eastern Europe.

The Consortium will help U.S. manufacturers of housing and building products find export opportunities in Eastern Europe, says ABPEIC's chairman Michael Carusone.

Carusone, president of Northern Homes, Hudson Falls, N.Y., visited Poland with the Secretary of Commerce to lay the groundwork for the Consortium program. Carusone's company exports factory-built housing to Japan, Israel and Europe.

Under the program, ABPEIC is opening field offices in Warsaw and Budapest through which it will promote U.S. building products and technology. □

Ten Years' Change In Import & Export Building Products

Prefab wood buildings imports:	959%
Prefab wood buildings exports:	70%
Plumbing fixtures imports:	75%
Plumbing fixtures exports:	0%
Concrete products imports:	654%
Concrete products exports:	-43%
Gypsum products imports:	213%
Gypsum products exports:	171%
Builders hardware imports:	535%
Builders hardware exports:	128%

Source: U.S. Dept. of Commerce; American Building Product Export/Import Council.

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INDICATORS

Better News On The Housing Starts Front

Continued decline in interest rates boosts both single- and multifamily housing starts.

The recovery in residential construction markets appeared to solidify with the release of housing market-related data for the month of October. Following a period of several months, when we seemed to be taking one step forward for one step back, we finally took several big steps forward in October.

Interest rates continued to fall, reaching their lowest point in almost 15 years. Housing starts surged, led by gains in the moribund multifamily sector. Sales of both new and existing homes moved up following a four-month period of stagnation.

Still, although there is no reason to think that the housing market recovery will sputter and stall again in the coming months, a few worrisome signs do bear watching. Consumer confidence has dropped to a dangerous and inexplicably low level, household income gains continue to be meager, and employment declines continue unabated.

Fortunately, there is encouraging—although not definitive—evidence that we've reached the bottom for all of these important leading indicators. The improvements in residential markets should be sustainable through the new year. □

Two Regions Post Permit Upswings

Through the first 10 months of 1991, total housing starts nationwide totaled 874,000 units—17.1% below the level recorded for the same period last year. The West fared the worst in 1991, with year-to-date starts running 26.1% below 1990's rate.

In the South, the year-to-date decline has been 15.7% of the year-earlier pace, while the drop in the Northeast was 16%.

The Midwest, which did not enjoy the benefits of the 1980s boom, also was spared the pain of the bust; starts through 10 months of 1991 were off a less-severe 8.3%.

The over-the-year decline in building permit values grew smaller as the year progressed. Through 10 months of 1991, total residential permit values for the entire nation fell 11.3% from 1990's pace.

Housing markets in two regions have turned around—permit values in the Oil Patch states rose 12.4% from their 1990 rate and values in the Rocky Mountain states moved ahead 8.4%. □

Regional Market Conditions

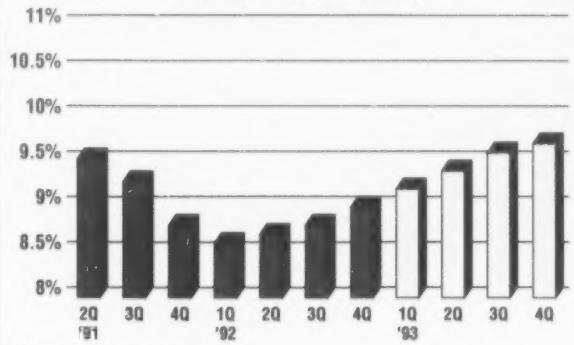
(Year-To-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
Portland, Maine	-4.2%	$92,668	-17.0%	-4.4%
Harrisburg, Pa.	-11.6%	$85,448	+10.8%	-0.7%
Orlando	-22.0%	$91,969	-3.4%	-1.0%
Knoxville	-10.0%	$68,457	-2.5%	-1.0%
San Antonio	+20.1%	$65,108	+11.9%	+0.5%
Milwaukee	+2.0%	$113,208	+8.3%	+0.8%
Omaha	+17.7%	$72,918	-4.2%	+4.7%
Salt Lake City	+27.8%	$90,742	+11.7%	+2.9%
San Diego	-16.7%	$176,318	-14.3%	-1.0%

Sources: U.S. Departments of Commerce and Labor

Mortgage Interest Rate Forecast

(Quarterly Average, Fixed Rate)



Forecast: Cahners Economics

PB&R Market Activity Index

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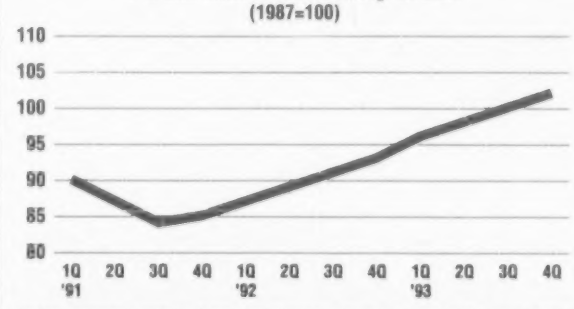
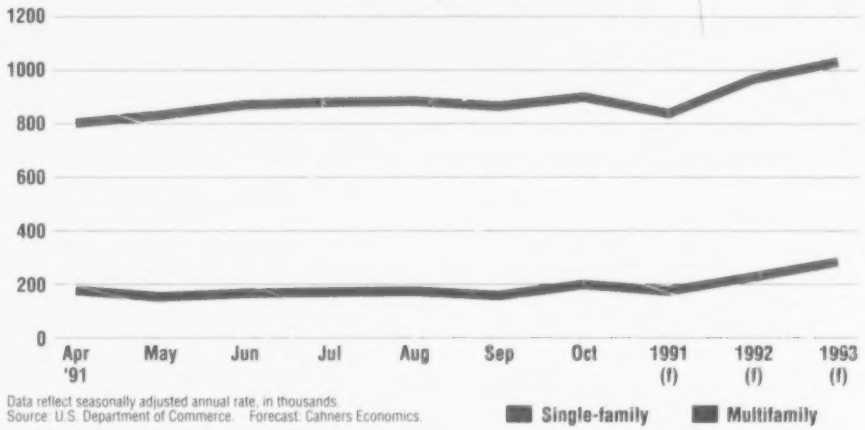


Index represents weighted average of forecast trends in residential, remodeling and light-commercial construction markets. Data expressed in "real" terms, i.e. adjusted for the effects of inflation.

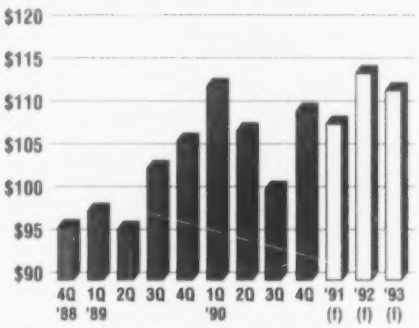
Forecast: Cahners Economics

Housing Starts



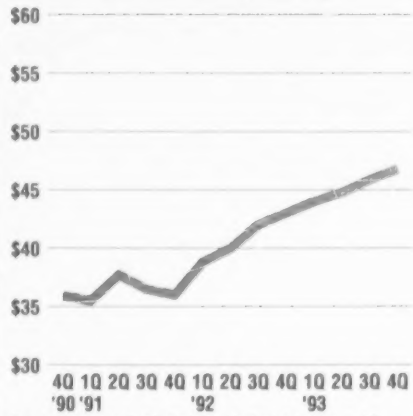
Data reflect seasonally adjusted annual rate, in thousands.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

Residential Upkeep & Improvement Spending



Data reflect seasonally adjusted annualized rates in billions of $.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

Residential Addition & Alteration Consumer Spending



Data reflect seasonally adjusted annualized rates, in billions of $.
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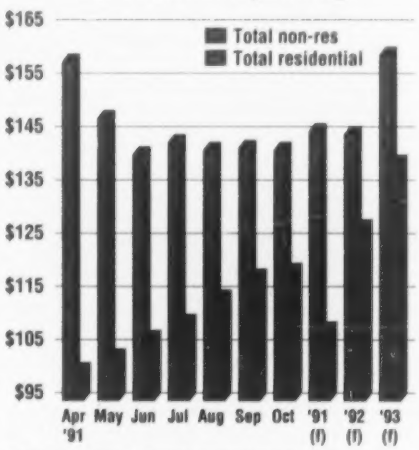
Construction Spending



Data reflect seasonally adjusted annualized rates in billions of $.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

Key Trends At A Glance

	Oct '91	Feb '91
Total housing starts*	1,096,000	992,000
New home sales*	513,000	488,000
Remodeling permit trend	-1.5%	-3.3%
Consumer confidence index**	60.4	59.4
Median new home price	$122,900	$119,900
Fixed-rate mortgages	8.86%	9.37%
Construction wage trend	+1.2%	+1.6%

* Seasonally adjusted annual rate.
** 1985 = 100.

Home Improvement Spending Sluggish

Analysis of recent trends in residential remodeling work has been hampered this year by the lack of timely data. The Commerce Department has yet to release any 1991 data from their quarterly survey on "Expenditures for Residential Improvements and Repairs" (the "C-50" report).

In the absence of the "C-50" data, here is some data that may give a hint of what happened.

Maintenance and repair spending has been the strongest component of residential improvement and upkeep activity during the past several years. Total spending for these lower-cost, often do-it-yourself kinds of projects grew by 6.9% in 1988, by 4.4% in 1989, and by 20.2% during 1990.

Through nine months of 1991, retail sales at home improvement stores were running 0.5% above the year-earlier pace, while hardware store sales were off by 1.2%. These data suggest that maintenance and repair spending grew marginally during 1991.

Trends in residential improvement work can be discerned through review of building permit data and through the government's monthly "C-30" report ("Value of New Construction Put-in-Place").

The value of building permits issued nationwide for residential additions, alterations and conversions declined by 1.5% from 1990 levels over the first 10 months of last year. Similarly, over the first three-quarters of the year the "C-30" report showed improvement spending was off 9.2%. □